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Item 4 of the provisional agenda

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE ON THE WORK OF ITS NINETEENTH SESSION

(28-30 April 2003)

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Introduction

1. The Programme and Budget Committee held its nineteenth session at UNIDO Headquarters, Vienna International Centre, from 28 to 30 April 2003. All the 27 Members of the Committee participated in the session:

Angola, Argentina, Austria, China, Côte d'Ivoire, Democratic People's Republic of Korea, Egypt, Finland, France, Germany, Greece, Hungary, Italy, Japan, Mexico, Nigeria, Pakistan, Peru, Poland, Republic of Korea, Russian Federation, Saudi Arabia, Sudan, Tunisia, Turkey, United Kingdom of Great Britain and Northern Ireland and Venezuela.

2. The following 56 Members of UNIDO also attended the session:

Afghanistan, Albania, Algeria, Azerbaijan, Belarus, Belgium, Bolivia, Bosnia and Herzegovina, Brazil, Burkina Faso, Chile, Colombia, Costa Rica, Croatia, Cuba, Czech Republic, Denmark, Ecuador, Ethiopia, Guatemala, India, Indonesia, Iran (Islamic Republic of), Ireland, Israel, Jordan, Kenya, Kuwait, Lebanon, Lithuania, Luxembourg, Malaysia, Malta, Monaco, Morocco, Namibia, Netherlands, Oman, Panama, Paraguay, Philippines, Portugal, Romania, Serbia and Montenegro, Slovakia, South Africa, Spain, Sweden, Switzerland, Syrian Arab Republic, Thailand, The former Yugoslav Republic of Macedonia, Ukraine, Viet Nam, Yemen and Zimbabwe.

3. The following organizations were represented:

United Nations Joint Inspection Unit, United Nations Development Programme, Food and Agriculture Organization, International Atomic Energy Agency, African Regional Organization for Standardization, European Union, International Centre for Genetic Engineering and Biotechnology and International Institute of Refrigeration.

4. In accordance with rule 17 of its rules of procedure, the Committee elected by acclamation Mr. A. S. Naqvi (Pakistan) as Chairman; Mr. H. Szlajfer (Poland), Mr. H. A. Sahinbas (Turkey) and Mr. G. Marquez Marin (Venezuela) as Vice-Chairmen; and Mr. Y. Elatawi (Egypt) as Rapporteur.

5. The agenda for the nineteenth session as adopted by the Committee is contained in document PBC.19/1. Following the adoption of the agenda, the Director-General made an introductory statement that was duly taken into account by the Committee in the consideration of the relevant agenda items.

6. The report of the Programme and Budget Committee is submitted to the Industrial Development Board in accordance with Article 10.4 (d) of the Constitution.

7. The report contains the conclusions reached by the Committee. The annex to the present report contains a list of documents submitted to the Committee at its current session.

8. The following conclusions of the Committee contain recommendations that call for action by the Board at its twenty-seventh session or are of relevance to the work of that session:

Conclusion	Subject
2003/2	Financial situation of UNIDO
2003/3	Programme and budgets, 2004-2005
2003/4	Scale of assessments for apportionment of the regular budget, expenses for the biennium 2004-2005
2003/5	Working Capital Fund for the biennium 2004-2005
2003/6	Transition to a single currency system

I. ORGANIZATIONAL MATTERS

9. On 28 April, the Committee considered a proposal by the Chairman to optimize the utilization of available conference-servicing resources and adopted the following conclusion:

Conclusion 2003/1

The Committee, with the aim of utilizing the available conference-servicing resources to the maximum extent possible, decided to suspend with immediate effect rule 24 of its rules of procedure relating to the quorum, for the meetings of its nineteenth session only, provided no substantive decisions were taken at those meetings.

10. The Committee also decided to set up informal in-session consultations with the aim of facilitating the drafting of conclusions and entrusted Mr. H. A. Sahinbas (Turkey) (Vice-Chairman) to chair those consultations.

II. FINANCIAL SITUATION OF UNIDO (item 4); FINANCING OF UNIDO PROGRAMMES, INCLUDING NEW INITIATIVES FOR FUNDS MOBILIZATION (item 9)

11. The Committee decided to discuss simultaneously item 4 and item 9.

A. Financial situation of UNIDO (item 4)

12. On 28 April, the Committee considered a report by the Director-General on the financial situation, including arrears (PBC.19/10) and two conference room papers: a note by the Secretariat on the financial situation of UNIDO (PBC.19/CRP.4) and a note by the Secretariat on incentives and disincentives to encourage timely payment of assessed contributions (PBC.19/CRP.5).

13. On 30 April, after consideration of a draft conclusion on the *financial situation of UNIDO*, submitted by the Chairman (PBC.19/L.2), the Committee adopted the following conclusion:

Conclusion 2003/2

The Committee recommended to the Industrial Development Board the adoption of the following draft decision:

"The Industrial Development Board:

"(a) Takes note of the information provided in documents IDB.27/10-PBC.19/10 and PBC.19/CRP.5;

"(b) Requests Member States to pay their assessed contributions, including advances to the Working Capital Fund, in full and on time;

"(c) Urges those Members and former Members that are in arrears to fulfil their constitutional obligations towards the Organization without further delay;

"(d) Requests the Director-General to pursue his efforts and contacts with Member States and former Member States to effect the collection of arrears;

"(e) Congratulates the Director-General for document PBC.19/CRP.5 providing information on incentives and disincentives and requests the Secretariat to continue its efforts to provide more detailed information concerning the effectiveness of existing mechanisms under other international organizations to encourage Member States to pay their assessed contributions in a timely manner."

B. Financing of UNIDO programmes, including new initiatives for funds mobilization (item 9)

14. On 28 April, the Committee considered information in the *Annual Report of UNIDO 2002* on mobilization of financial resources (PBC.19/2, chapter V) and a conference room paper on projects approved under the Industrial Development Fund, trust funds and other voluntary contributions in 2002 (PBC.19/CRP.3).

15. On 30 April, at the suggestion of the Chairman, the Committee took note of the information provided by the Director-General and the Secretariat on item 9.

III. INTERIM REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 2002-2003 (item 3)

16. On 28 April, the Committee considered the interim report of the External Auditor: Audit of the United Nations Industrial Development Organization for the financial period 2002-2003 (PBC.19/6), the interim financial performance report for the biennium 2002-2003 (PBC.19/8) and the *Annual Report of UNIDO 2002* (PBC.19/2 and Add.1) and a note by the Secretariat on enhancement of decentralization (PBC.19/CRP.6).

17. On 30 April, at the suggestion of the Chairman, the Committee took note of the information provided by the External Auditor, the Director-General and the Secretariat on item 3.

IV. PROGRAMME AND BUDGETS, 2004-2005 (item 5); SCALE OF ASSESSMENTS FOR APPORTIONMENT OF THE REGULAR BUDGET EXPENSES FOR THE BIENNIUM 2004-2005 (item 6); WORKING CAPITAL FUND FOR THE BIENNIUM 2004-2005 (item 7)

18. The Committee decided to discuss simultaneously item 5, item 6 and item 7.

A. Programme and budgets, 2004-2005 (item 5)

19. On 28 and 29 April, the Committee considered the proposals of the Director-General for the programme and budgets, 2004-2005 (PBC.19/3).

20. On 30 April, after consideration of a draft conclusion on *programme and budgets, 2004-2005*, submitted by the Chairman (PBC.19/L.7), the Committee adopted the following conclusion:

Conclusion 2003/3

The Programme and Budget Committee, having considered the recommendations of the Director-General, recommended to the Industrial Development Board the adoption of the following draft decision:

"The Industrial Development Board:

"(a) Adopts for submission to the General Conference for consideration and approval the programme and budgets for the biennium 2004-2005 as contained in document IDB.27/3-PBC.19/3 and adjusted in the present decision;

"(b) Having considered the resource requirements for the regular budget contained in document IDB.27/3-PBC.19/3, recommends to the General Conference the approval of estimates of gross expenditures of €145,013,300 to be financed from assessed contributions in the amount of €142,000,000 and other income of €3,013,300;

"(c) Also recommends to the General Conference the approval of estimates of gross expenditures totalling €21,826,870 for the purpose of the operational budget for the biennium 2004-2005 to be financed from voluntary contributions in the amount of €21,512,370 and other income amounting to €314,500 as may be provided for in the financial regulations;

"(d) Notes the assurance by the Secretariat that the delivery of technical cooperation will be preserved in quantity and quality terms;

"(e) Requests the Director-General to raise the necessary resources through voluntary contributions with the assistance of the working group on voluntary contributions, to ensure that the reduction in the regular budget does not affect technical cooperation delivery in a negative manner;

"(f) Also requests the Director-General to continue to seek efficiency gains in the implementation of the programme and budgets;

"(g) Recommends that the present reduction in the budget will not be treated as a precedent for future budget."

B. Scale of assessments for apportionment of the regular budget expenses for the biennium 2004-2005 (item 6)

21. On 28 and 29 April, the Committee considered a note by the Secretariat on the scale of assessments for the fiscal period 2004-2005 (PBC.19/7 and Add.1).

22. On 30 April, after consideration of a draft conclusion on the *scale of assessments for apportionment of the regular budget expenses for the biennium 2004-2005*, submitted by the Chairman (PBC.19/L.3), the Committee adopted the following conclusion:

Conclusion 2003/4

The Committee recommended to the Industrial Development Board the adoption of the following draft decision:

"The Industrial Development Board:

"(a) Takes note of documents IDB.27/7-PBC.19/7 and Add.1;

"(b) Recommends that the General Conference, under its constitutional prerogative, establish a scale of assessments for the fiscal period 2004-2005 based on United Nations General Assembly resolutions 55/5 B-F and 57/4 B, adjusted to the membership of UNIDO on the understanding that new Members shall be assessed for the year in which they become Members on the basis of the United Nations scale of assessments, as applicable to UNIDO;

"(c) Requests Member States to pay their assessed contributions for the 2004-2005 biennium in accordance with financial regulation 5.5 (b), which states that contributions and advances shall be due and payable in full within thirty days of the receipt of the communication of the Director-General, or as of the first day of the calendar year to which it relates, whichever is later;

"(d) Calls on Member States and former Member States that are in arrears to fulfil their constitutional obligations by paying their outstanding assessed contributions in full and without conditions as soon as possible, or to take advantage of payment plans to settle their arrears in accordance with previous decisions by the governing bodies of UNIDO."

C. Working Capital Fund for the biennium 2004-2005 (item 7)

23. On 28 and 29 April, the Committee considered the proposals by the Director-General for the Working Capital Fund for the biennium 2004-2005 (PBC.19/4).

24. On 30 April, after consideration of a draft conclusion on *Working Capital Fund for the biennium 2004-2005*, submitted by the Chairman (PBC.19/L.4), the Committee adopted the following conclusion:

Conclusion 2003/5

The Committee recommended to the Industrial Development Board the adoption of the following draft decision:

"The Industrial Development Board:

"(a) Takes note of document IDB.27/4-PBC.19/4;

"(b) Recommends to the General Conference that the level of the Working Capital Fund and the authorized purposes of the Fund for the 2004-2005 biennium remain the same as for the 2002-2003 biennium (€7,423,030);

"(c) Urges Member States to pay their outstanding assessed contributions for 2003 and arrears as soon as possible to minimize the need to withdraw sums to meet shortfalls in the payment of assessed contributions."

V. TRANSITION TO A SINGLE CURRENCY SYSTEM (item 8)

25. On 29 April, the Committee had before it a report by the Director-General on transition to a single currency system (PBC.19/9).

26. On 30 April, after consideration of a draft conclusion on *transition to a single currency system*, submitted by the Chairman (PBC.19/L.5), the Committee adopted the following conclusion:

Conclusion 2003/6

The Committee recommended to the Industrial Development Board the adoption of the following draft decision:

"The Industrial Development Board:

"(a) Takes note of the information provided in document IDB.27/9-PBC.19/9 on the transition to a single currency system, and in particular regarding the preparation of the interim financial performance report for the biennium 2002-2003;

"(b) Notes with satisfaction the steps taken by the Director-General to ensure the introduction of the euro as a single currency for budgeting, assessment, accounting and reporting;

"(c) Requests the Director-General to inform Member States of further developments, inter alia, resulting from the closure of the biennium's accounts, as well as on the management of technical cooperation projects in both dollars and euros."

VI. APPOINTMENT OF AN EXTERNAL AUDITOR (item 10)

27. On 29 April, the Committee considered a report by the Director-General on candidatures for the appointment of an External Auditor (PBC.19/5) and a note by the Secretariat on the same subject (PBC.19/CRP.2).

28. On 30 April, at the suggestion of the Chairman, the Committee took note of the information provided by the Director-General and the Secretariat on item 10.

VII. DATE OF THE TWENTIETH SESSION (item 11)

29. On 30 April, the Committee had before it a conference room paper on dates reserved for the UNIDO governing bodies in 2004 (PBC.19/CRP.7). After consideration of a draft conclusion on the *date of the twentieth session*, submitted by the Chairman (PBC.19/L.6), the Committee adopted the following conclusion:

Conclusion 2003/7

The Committee decided to hold its twentieth session from 8 to 9 September 2004.

VIII. ADOPTION OF THE REPORT (item 12) AND CLOSURE OF THE NINETEENTH SESSION

30. On 30 April, the Committee adopted the draft report of its nineteenth session (PBC.19/L.1) on the understanding that the Rapporteur would be entrusted with the task of finalizing the report.

31. The Committee closed its nineteenth session at 4.25 p.m. on 30 April 2003.

Annex

LIST OF DOCUMENTS SUBMITTED TO THE NINETEENTH SESSION

Symbol	*Agenda item*	*Title*
PBC.19/1	2	Provisional agenda
PBC.19/1/Add.1	2	Annotated provisional agenda
PBC.19/2-IDB.27/2	3	Annual Report 2002
PBC.19/2/Add.1-IDB.27/2/Add.1	3	Annual Report 2002. Programme performance report. List of technical cooperation activities
PBC.19/3-IDB.27/3	5	Programme and budgets, 2004-2005. Proposals of the Director-General
PBC.19/4-IDB.27/4	7	Working Capital Fund for the biennium 2004-2005. Proposals by the Director-General
PBC.19/5-IDB.27/5	10	Candidatures for the appointment of an External Auditor. Report by the Director-General
PBC.19/6-IDB.27/6	3	Interim report of the External Auditor: Audit of the United Nations Industrial Development Organization for the financial period 2002-2003
PBC.19/7-IDB.27/7	6	Scale of assessments for the fiscal period 2004-2005. Note by the Secretariat
PBC.19/7/Add.1-IDB.27/7/Add.1	6	Scale of assessments for the fiscal period 2004-2005. Note by the Secretariat. Addendum
PBC.19/8-IDB.27/8	3	Interim financial performance report for the biennium 2002-2003. Submitted by the Director-General
PBC.19/9-IDB.27/9	8	Transition to a single currency system. Note by the Secretariat
PBC.19/10-IDB.27/10	4	Financial situation, including arrears. Report by the Director-General
		Conference room papers
PBC.19/CRP.1	2	List of documents
PBC.19/CRP.2	10	Candidatures for the appointment of an External Auditor. Note by the Secretariat
PBC.19/CRP.3	9	Projects approved under the Industrial Development Fund, trust funds and other voluntary contributions in 2002. Prepared by the Secretariat
PBC.19/CRP.4	4	Financial situation of UNIDO. Note by the Secretariat
PBC.19/CRP.5	4	Incentives and disincentives to encourage timely payment of assessed contributions. Note by the Secretariat
PBC.19/CRP.6	3	Enhancement of decentralization, 2002-2003. Note by the Secretariat
PBC.19/CRP.7	11	Dates reserved for the UNIDO governing bodies in 2004. Note by the Secretariat
PBC.19/CRP.8	-	List of participants